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Ukraine

Ukraine and Russia

A Survey of Their Economic Relations

By WOLDEMAR TIMOSHENKO

Vice Director of the Economic Institute at the Academy of Sciences of Ukraine

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Ukraine and Russia

A Survey of Their Economic Relations

It has long been contended that the Ukraine could not exist as a separate state. It is said her economic interests are so largely dependent upon those of the old Russian Empire that if separated therefrom, she would lack the economic strength to form a viable entity, and thus would render herself liable to decline or gradual absorption by some other state. In the light of present facts, both economists and impartial statesmen will find that this argument, which, among members of the opposing faction, seems to form the primary basis for objection to Ukraine's independent statehood, will not bear even the most superficial investigation.

Ukraine's Richness in Natural Resources

The Ukraine is a country with nearly 50,000,000 inhabitants, and possesses within its limits the most fertile lands of Europe, which, every year, feed the western countries from their enormous surplus of cereals, of cattle and of sugar. It is a country which stands fifth in the world in its production of coal and iron; which has at its disposal quantities of other raw materials, such as naphtha, magnesia, salt and mercury; which has, moreover, several hundred kilometers of water front. If, with all these natural advantages and wealth, the Ukraine cannot enjoy an autonomous life, how, then, can one explain the existence of Italy, Spain, Roumania and many other European countries in which the natural conditions are far less favorable to economic independence?

These facts have gradually become so self-evident to the public mind that oppositionists are being forced to abandon their former line of argument, and are now beginning to attack the question from the reverse standpoint. They now claim, not that Ukraine cannot form and maintain her economic unity, but that Russia cannot live without Ukraine, and that, without Ukraine, Russia would lack

elements which are absolutely essential to her economic existence. In this new phase of reasoning, it is evident that other interests than those of the Ukraine intervene, and one can easily detect the Russian point of view. However, in our present study of the subject, let us lay aside all thought of any ulterior motive on the part of our adversaries, and approach the matter in an objective manner, in order to discern, if possible, the vital economic interests of the Russian people which might suffer through the creation of an independent Ukraine.

Is Great Russia Economically Dependent on Ukraine?

Concisely stated, the three fundamental bases of opposition usually put forward are:

1. The Ukraine is the granary of Russia. Without Ukraine, upon which she depended for her entire supply of agricultural products, Russia would suffer from hunger.

2. The Ukraine separates Russia from the Black Sea and the Sea of Azov, thus closing the door to foreign markets.

3. If the Ukraine were established in ethnographic limits, she would thus possess nearly all the coal and iron of the old Russian Empire, and hence would cut off Russia's present supply of these indispensable raw materials of industry.

Let us candidly and thoroughly examine each of these arguments.

In the first place, statistics show that Ukraine has always been the granary for western Europe rather than for Russia and has, in fact, exported only a very small per cent of her cereal products into Russia. The latter, furthermore, possessed such an excess of grain that she herself has exported in the past, and still continues to export, an appreciable quantity of cereals.

Great Russia's Own Grain Supply Ample

For the years 1909-1911, during which time the exports were especially large, the total quantity of cereals shipped from former Russia averaged 440,000,000 bushels each year. Of this amount the nine Ukrainian governments

supplied 201,670,000. If we now add to these nine governments the Kuban, the Ukrainian region north of the Caucasus, as well as the Ukrainian parts of other governments which border them, we must increase these figures by 91,670,000, which gives to ethnographic Ukraine an exportation of about 293,340,000 bushels of cereals. During this time the other parts of former Russia, including Siberia, exported about 40,000,000 bushels annually. As neither Poland nor Finland exported cereals, and Lithuania and the Baltic provinces only small quantities, if any, it was Russia proper that had the large excess.

As to the Ukraine, her exportations of cereals to Russia did not reach more than 10 to 15 per cent of her total ~~output~~ export; that is to say, about ~~six or seven~~ 36 million bushels, and nearly all of that was destined for Poland, Lithuania and White Russia, Great Russia consuming only a small fraction of the amount. Then, too, the Ukrainian wheat has always had as a competitor in the markets of Moscow and Petrograd the wheat from the fields of Siberia and the regions of the Volga.

If hunger now exists in Russia, it is due to a dreadful crisis in transportation, to which may be added the fact that Siberia and some parts of the Volga regions refuse their wheat to Russia in the present Bolshevist state and, even within Bolshevist Russia, the peasants will not give their wheat to the cities, since they get nothing from the cities in return. In the Petrograd and Moscow districts, suffering has been heightened by the Allied blockade.

In this way, a fair analysis of existing agricultural conditions with reference to relative production and exportation in both Ukraine and Russia proves the fallacy of the first argument advanced by those who interpose these conditions as a barrier to Ukraine's economic freedom. The irrefutable fact remains that, instead of depending upon the Ukraine for wheat, Russia not only has enough for her own use but, even during those years when the harvests in the east of Russia and in Siberia fail to reach their maximum, retains a sufficient surplus of grain to enable her to export it in considerable quantities.

The second objection, which involves the question of

Russia's need for the Ukrainian ports of the Black Sea and the Sea of Azov, is readily refuted by Russian maritime history.

Great Russia Not Dependent on the Black Sea Ports

We grant that, to the casual thinker with little or no knowledge of the trade routes of modern commerce, it may at first appear that Russia cannot live without southern ports, but, while it is true that more than half of the maritime exports of former Russia were on the Black Sea and the Sea of Azov, those who present this argument forget that the Ukrainian exports composed nearly half of those of the whole Russian Empire. It has already been proved that ethnic Ukraine shipped about two-thirds of the total amount of cereals. If we take these facts into consideration, we must conclude that it was the Ukraine which used the southern ports and not Russia. Nor did Russia export much of her merchandise by way of the Black Sea. The official Russian statistics of the traffic of merchandise by rail show no southern port except Rostov-on-the-Don, which served as an outlet for the products of the territories situated north of the ethnic frontier of the Ukraine and Russia. As to Novorosseysk, that was always the port for the Cossacks of Kuban and of the northern Caucasus. Even the northern regions of the Ukraine, including the governments of Tchernihov, that of Poltava and a part of the government of Kharkov, sent their wheat by the ports of the Baltic and even by Libau and Koenigsberg.

Statistics indicate that imports have never been shipped in by way of the Black Sea to any great extent. The records of Russian foreign commerce for the year 1912 show that 80 per cent of the maritime imports of the old empire of Russia were made by way of the Baltic, so that even the Ukraine received much foreign merchandise by this route. The policy of the Russian Government was always in favor of Baltic ports, to the detriment of those on the Black Sea. Finally speaking, all Russian commercial policy, in which an important item was the railroad rates, was in favor of the Baltic ports.

Let us compare for a moment the regions for which the Black and the Baltic Seas serve as ports. That for which the Black Sea affords an outlet does not extend more than 500 or 600 kilometers, while that served by the Baltic ports reaches as far as western Siberia. Thus, the Baltic region exceeds that of the Black Sea by several thousand kilometers.

Surely these facts, coupled with even the most cursory consideration of the Russian imperialistic policy, show beyond a doubt that in respect to the direct economic utilization of the southern ports, the setting up of a separate government by the Ukraine does not obstruct any fundamental interests of the Russian people. Briefly stated, Russia proper does not use directly the southern ports except Rostov, which is the outlet of the region of the Don and in part of the lower region of the Volga, but there is not such a vast difference between the Russian and Ukrainian interests that these minor details as to a common use of various ports can not be conciliated by special agreement.

Coal Fields of Ukraine Not Necessary to Great Russia

Proceeding directly to the third and last question, that involving coal and iron, we are confronted first of all with the geographic fact that it is really within the ethnographic limits of the Ukraine that are found nearly all the coal fields of Donetz, as well as most of the productive centers of anthracite. More than 90 per cent of the total output of coal of the Donetz basin, during the last years of normal exploitation, came from the Ukrainian regions, while the total production of coal of the Donetz basin reached 70 per cent of the general production of coal of the old Russian Empire, and we may increase this to 85 per cent, if we do not include in the total the output of Russian Poland. Notwithstanding these percentages of production, the general statistics of railroad traffic, together with the data collected by the Special War Committee on the Supply of Fuel, show that nearly four-fifths of the Ukrainian coal and anthracite was used in Ukraine, one-fifth only being exported to Russia.

The Ukraine has almost no fuel except the coal from Donetz. Northern and Central Russia, on the contrary, have wood, peat and coal from the south of Moscow. Northwestern Russia and the Baltic provinces never used the coal from Donetz, as it could not compete in price with the English or German coal. During the war, doubtless because the Baltic Sea was closed, they began to transport coal from Donetz to Petrograd. Now the Baltic Sea is reopened and its freedom guaranteed by the Allies. Therefore, English coal can regain its natural markets.

The industrial region of Moscow, as well as that of the Volga, received an enormous quantity of naphtha from Baku which competes as fuel with the coal of Donetz. When the conditions have again become normal, exports of naphtha will recommence, because the basin of the Volga is the natural outlet for the oil fields of Baku. The Urals and Siberia are supplied with local coal, while in western Siberia are found vast deposits, in the region of Kutznetsk. These beds are more extended and richer than those of Donetz, but the coal fields were scarcely worked because the means of transportation was very primitive. They can be joined to the Ural and Altai regions either by rail or water. Under these conditions the inexhaustible ore supplies of the Urals and the Altai district will supply the metal industry of Russia in such quantities that Russia will become metallurgically independent of the Ukraine. Thus the coal fields of Donetz, which have always been more Ukrainian than Russian, should in the future remain entirely Ukrainian.

Furthermore, the question of the basin of Donetz is not concluded. The ethnographic frontier of the Ukraine and of Russia passes through these coal fields. The Ukraine and Russia could easily, for their mutual interests, reach some understanding and modify this frontier. But in any event the most important part of the coal field should remain in the Ukrainian limits, because the facts up to date show how much more Donetz is bound to the Ukrainian industry than to that of Russia. The metallurgical industry alone of the Ukraine consumes nearly 30 per cent of the total production of the basin.

Ukraine's Iron Supply Not Essential to Great Russia

We now come to the question of iron. Here also it is claimed that the economic development of Russia is impossible without the Ukrainian iron. But we can answer without the slightest hesitation that this affirmation is incorrect.

It is a fact that the Ukraine produced two-thirds or three-fourths of the iron of former Russia. She exported a considerable quantity into the old empire, but one cannot conclude that this situation will not change in the future. True, the development of the metallurgical industry in the Ukraine in the last forty years was much greater than in the Urals and the other provinces. But if we wish to draw more specific conclusions, we must remember that the beds of iron ore in the Ukraine are not very large. Those in the region of Krivy Rih in the Kherson government near that of Ekaterinoslav, which are now the principal source of the iron ore in the Ukraine, may exhaust themselves in a few decades as will the scarcely more abundant ore fields of Crimea.

It would be erroneous to assume that the metal production of the Ukraine would be adequate to the needs of all Russia for any great period of time. Knowing the probabilities of early exhaustion of the limited beds of Ukrainian ore, and in intelligent observance of the laws of conservation, Russia must, with that wisdom and foresight which has made for industrial soundness in all strong nations, increase her production of iron in the Urals and in Siberia. For the time being, however, and until Russia can bring into operation the products of her hitherto undeveloped areas, the Ukraine can and desires to maintain her place on the Russian markets with metals, as with sugar.

Economic Co-operation is Possible

It is the earnest desire of the Ukraine that her future economic relations with Russia be intensely co-operative and that the commercial relations of the two states under

the sane regulation of special treaties become closer and more sound as time progresses, after the manner of those in all other independent countries. The essentials in the case are two-fold: On the one hand, the constitution of the independent Ukrainian State must not violate the vital interests of great Russia; on the other hand, the wish of the Ukrainian people to be self-governing and therefore to create an independent national state wherein they can enjoy the blessings of "life, liberty and the pursuit of happiness" must be given just consideration, and there must be no unreasonable violation of the sacred principles involved. Nor should the people's inalienable rights be subordinated in any degree to mere commercial, political or any selfish or less worthy interests, which though advantageous to one nation, work irreparable wrong to another. Mutuality of interests must be the ruling motive in all such dealings between the nations.

Let us go deeper into our subject and discuss now the economic advantages enjoyed by the Ukraine when she formed an integral part of the Russian Empire; let us discover, if possible, what has been the economic policy of the empire for the last forty years. The fundamental directing idea of this policy was industrial protection, and we can interpose no objection to such a general idea, for is it not incumbent upon any state that is seeking the highest in economic development to protect its national industries? But now we come to the vital issue of the operation of this policy of industrial protection as exercised by Russia in her relations with the Ukraine. Here we shall see, as has often been the case, that the theory of a policy and its realization were two different things.

Customs System of Old Russian Empire

The old Russian Empire, with its immense territory, exceeds that of all other European countries combined, provided we exclude from our comparison all colonial possessions. It presents itself to us as a striking example of a conglomeration of different countries and peoples who differed greatly in the organization of their economic life, as well as in the degree of their culture. Indeed, several

of its governments were nothing but colonies, differing from such only in that colonies, in the strict sense of the term, are geographically separated from the mother country. Notwithstanding this natural condition, Russia adopted the economic policies of the other continental European countries, which were much more compact and decidedly more homogeneous than herself, and whose colonies, being outside the custom frontiers of their respective mother countries, enjoyed a separate customs regulation adapted to the facilities and conditions of their separate locations. Contrary to this seemingly universal European colonial regulation, Russia made all her colonies enter into a common frontier as to customs, and applied to them a general customs tariff, which gives her commercial policy a peculiar characteristic.

Immense Russia, whose provinces were so unlike, had an abundance of natural resources for developing and satisfying the many diversified interests of her entire aggregation of possessions. Yet her customs tariff was strictly uniform in its application to her whole territory, inclusive even of remote Vladivostok. Every possible industry was protected, and in Petrograd and Moscow, for example, every branch of every legitimate industry was under the strictest surveillance as to customs tariff. As a consequence, all Russia paid a high tax for every factory in the land, whether it was near to or far removed from the territory thus unjustly encumbered with taxes to support industries from which it derived not even the most meager benefit. Furthermore, there was a uniform tariff for customs, so that one form of protection operated to the detriment of the other, and in particular caused a gradual annihilation of the growth of agricultural industry in the provinces. The result is easily foreseen: Such a rigid and uniform commercial policy proved absolutely impracticable in a country as non-homogeneous as was Russia.

Agriculture proved to be the most seriously affected of all the industries, not only because the agricultural peoples under this system were forced to pay nearly double prices for industrial products, but also because Russia at this time engaged in a customs war with western Europe. In

an effort to lower the tax on manufactured articles, the European countries began to put exorbitant duties on Russian agricultural products. Subsequent records show how detrimental was the Russo-German treaty of 1904 to agriculture among the Russian peoples. Thus were the interests of the agricultural regions clearly sacrificed to the interests of a few industrial centers.

Policy of Former Russia Injurious to Ukraine

How did this affect the Ukraine? We have shown that, in former Russia, the Ukraine was the principal exporter of agricultural products, and that she could not find a market for her wheat in industrial Russia because of the stern competition offered by the Volga and Siberia. Hence her only course was to seek an outside market, and this she did by exporting all surplus cereals to western Europe. Even here Russia subordinated the Ukrainian agricultural interests to the interests of industrial security. Added to this injustice, she took no steps to encourage Ukrainian exportation into central Russia. Money was spent in constructing elevators in the region of the Volga and in Siberia and refrigerator trains were organized for shipping meat, poultry, butter and fruit into eastern Russia, Siberia and Central Asia: all this to the neglect of Ukrainian interests. Nor was there any compensation for this loss by the promotion of the manufacturing industry in Ukraine. It is an indisputable fact that Ukrainian manufactures are much less developed than those of either Russia or Russian Poland. We can find one reason for this, however, in a certain period of Ukraine's history.

Russia and Poland were already enjoying an assured and peaceful national life while Ukraine was still struggling against the factors which were devastating her territory. The colonization of certain Ukrainian territories after the expulsion of the nomads took place much later than that of the other Russian provinces. Later, Ukraine was invaded by the Poles, who did not cease to treat her like a colony, and exploited her entirely for their own benefit. Hence, at the time of Ukraine's incorporation into Russia,

the latter had industries, while Ukraine had none. To add to the difficulties already surrounding her industrial initiative and development, Ukraine, being included in the same customs frontier with Moscow and Warsaw, was forced from the very first to compete with districts industrially much stronger than herself. Thus, while Ukraine remained a colony of Russia, her growth was thwarted and checked rather than fostered by the mother country and was in danger of the same fate that overtook Ukrainian Galicia, which was smothered in the custom frontiers of Austria, and remained a colony for the industries of German Austria.

We cannot stop with a consideration of commercial policies alone in seeking to discover the Russian agencies that were unfavorable to the economic interests of Ukraine, for there are many other matters to be studied, if one is to give a clear and unbiased perspective of the true situation.

Over-centralization in Former Russia

Results show that the guiding principle of all Russian policy was centralization, absolute and unqualified. Even the most insignificant orders of the State, which were to be carried out thousands of miles away from the center of the empire, could not be passed except by the agreement of the central government in Petrograd, which, from the very nature of affairs, understood little of the needs and condition of the people upon whom they were to be inflicted. Naturally, the only beneficiaries were the manufacturers, contractors or intermediaries who were in favor at court and near the antechambers of the ministries, while the interests having no headquarters at Petrograd stood little chance of securing any orders from the State. Because of these conditions, the administration of all the important enterprises—factories, banks, insurance companies and similar organizations—was located in Moscow or Petrograd. Even mills and factories were often located in inconvenient points, simply because they were nearer the center of things. The higher branches of technical education were likewise centralized there.

During the last thirty or forty years, it is true, the economic situation of the Ukraine has changed considerably; three large industries have developed in the country: the sugar industry, the mining and the metal industries. And one is tempted to say that this development was due to Russian protection. But is this quite correct? Undoubtedly the protection had some influence, but not as much as one might suppose. In the first place, one must not forget that in the Ukraine there are natural conditions much more favorable to these industries than in any other part of the Russian Empire. Certainly the sugar, metal and mining interests are among those which depend on the location of their raw materials and can never start in a place where these are lacking. Besides, these industries are infinitely more fostered by transportational advantages than by custom duties. The duties which were imposed on foreign coal did not prevent the importation of English coal into the Baltic provinces nor into Petrograd. On the other hand, even if all custom duties on foreign coal had been suppressed, it would never have penetrated into central Russia and there replaced the fuel of Donetz. As to the sugar, the situation in the Ukraine was perhaps even more favorable. As to metallurgy, it no doubt profited by the protective Russian tax. But there again the role of this tax was not very great. In fact, the products of Ukrainian metallurgy were heavy (rails, beams, tires, wheels, pipes, iron bars, etc.), and their manufacture was only slightly stimulated by the tax because of the great distances over which they had, in any case, to be carried. Protective tariff is much more necessary to those industries which supply finished products of light weight, but of these the Ukraine furnished very few. The textile industry of Moscow and of Poland profited much more by protection, as did many other branches of the industrial activities of central Russia.

Effect of Russian Imperial Methods in Ukraine

Therefore, by this system, the Ukraine had more loss than profit. She was still a market for Russian and Polish industrial products, for which she paid high prices. But

for her own industry the Russian custom frontier gave her insufficient protection; on the contrary, it rather reserved the Ukrainian market to Moscow and Warsaw.

Consequently the industrial development of the Ukraine was very slow. The agricultural population did not find enough work in the towns, and, as a result, the surplus of agrarian population increased every year. In some parts of the Ukraine this surplus population was more serious than in any other part of former Russia. In the central Ukrainian provinces the agrarian population reached 800 to 1,000 inhabitants per 1,000 hektares of arable land, while in France and Germany the average was about 500 inhabitants. There was nothing left for the Ukrainian population but to emigrate and colonize the lands of Siberia and of Central Asia. There was also a rather considerable movement of emigration towards America. The most fertile governments of the Ukraine furnished many more emigrants than the less fertile but more industrial regions of central Russia.

Emigration as a Possible Solution

As a consolation, it is pointed out that, in case of the reunion of the Ukraine with Russia, the Ukraine will have in Siberia a field for emigration all ready. But that is very poor consolation. Can emigration satisfy any country? Are the Italians proud of sending many emigrants to America? Did the Germans have cause to feel flattered by increasing the trans-Atlantic emigration, before they developed their own industries?

Why, then, should it be the lot of the Ukraine to let her population emigrate to distant Siberia?

Why can she not develop her economic life in such a manner that all her people shall have work on their own soil? The Ukraine ought not to remain an outlet for the industrial work of the Russians and Poles when her own people cannot find any work at home.

But one might ask why no complaint has been heard up to the present, either from the Ukrainians engaged in industry or from those engaged in agriculture? Why did

they not protest against a policy which was almost fatal to them? At first, it is true, complaints were sometimes made, and if they have not been more frequent, it is because in the old Russian Empire there was no tribunal where they might be heard. Political economy in Russia was centralized in the ministry. It was never the subject of any public discussion. Hereafter she should face the political stage where the voice of the Ukrainian people can make itself heard.

However, the policies of the present directors of the resurrection of the Russian Empire seem to tend, like those of their predecessors, toward preventing the Ukrainian people from manifesting their will, disposing freely of their fate or regulating their lives according to their own interests.

Summary

These politicians claim, on the one hand, that the interests of the Ukrainian people imply without any doubt their union with Russia; on the other hand, they are afraid to give to the people of Ukraine the chance of presenting their interests in an entirely free way. They are afraid that these people will have a Constituent Assembly, where they can discuss directly and clearly this problem whether it is to their interests to unite with Russia or to create an independent state.

If these protectors of the Ukrainian people are firmly convinced that the interests of the Ukraine demand that this nation remain a part of Russia "one and indivisible," why will they not listen to the free voice of the Ukrainian people in their Constituent Assembly?

Then let the people of the Ukraine express their own wishes and decide their own fate. They will say where their real interests are and in what manner they intend to construct their political and economic life. And they are infinitely better qualified to say it than those who, pretending to uphold the Ukrainian interests, are really working for their own.